Rural Health Care Pilot Program Quarterly Data Report
WC Docket No. 02-60
Rural Nebraska Healthcare Network
January – March 2009

1. Project Contact and Coordination Information

a. Identify the project leader(s) and respective business affiliations.

Todd Sorensen, President, Rural Nebraska Healthcare Network
CEO, Regional West Medical Center

b. Provide a complete address for postal delivery and the telephone, fax, and e-mail address for the responsible administrative official.

Boni Carrell
Executive Director
Rural Nebraska Healthcare Network
4021 Avenue B
Scottsbluff, NE 60361
(308) 630-1723
carrelb@rwmc.net

c. Identify the organization that is legally and financially responsible for the conduct of activities supported by the award.

Rural Nebraska Healthcare Network (RNHN)
4021 Avenue B
Scottsbluff, NE 69361

d. Explain how project is being coordinated throughout the state or region.

The RNHN is a non-profit membership organization of nine non-profit hospitals in the Panhandle of Nebraska. A board of Directors that includes the Chief Executive Officer of each member hospital governs the RNHN. The RNHN is coordinated by an Executive Director with the President of the RNHN presiding at all meetings and supervising the affairs of the RNHN with the support of a Vice President and Secretary/Treasurer. The RHCPP is a standing agenda item at the monthly RNHN Board meeting. The Project Coordinator (RNHN President) and Associate Project Coordinator (RNHN Executive Director) provide updates and discuss the progress of the project with the Board.

The project is being coordinated through the office of Boni Carrell, Executive Director of the RNHN. Beginning in early December 2007, and with the assistance of Fiberutilities Group, the office has fielded multiple contacts from telecom providers and consultants regarding the project. RNHN has also visited with a number of third parties who may be interested in funding the network. Moreover, in March 2008,

Todd Sorensen, President of the RNHN, advised the Nebraska Public Service Commission of the project. In December of 2008, the RNHN met with Nebraska Lt. Governor Rick Sheehy, Chair of the Nebraska Information Technology Commission (NITC) to discuss the project.

Representatives of the Rural Nebraska Healthcare Network have met with representatives of the Nebraska Statewide Telehealth Network and Network Nebraska to discuss the RHCPP project.

2. Identify all health care facilities included in the network.

a. Provide address (including county), zip code, Rural Urban Commuting Area (RUCA) code (including primary and secondary), six-digit census tract, and phone number for each health care facility participating in the network.

b. For each participating institution, indicate whether it is:

i. Public or non-public;

ii. Not-for-profit or for-profit;

iii. An eligible health care provider or ineligible health care provider with an explanation of why the health care facility is eligible under section 254 of the 1996 Act and the Commission's rules or a description of the type of ineligible health care provider entity.

In the following table we have indicated, by strikethrough, the removal of Ash Hollow Rural Health Clinic from the project due to closure because of lack of health care professionals. This is an indication of the tenuousness of rural healthcare and further supports the need for broadband fiber infrastructure to support telemedicine, telehealth, and health information exchange.

Three additional sites have been identified within the campus of Regional West Medical Center. Regional West Medical Center, 3700 Ave D, Scottsbluff, NE 69361 was added because Regional West recently moved their data center to this building on the hospital campus which also houses the Community Health Department that provides direct services to clients.

Regional West Physicians Clinic, 3911 Ave B, Scottsbluff, NE 69361 and Regional West Physicians Clinic, 3011 Ave B, Scottsbluff, NE 69361 were added since the last quarterly report due to their acquisition through physician integration at Regional West Health Services. Regional West Physicians Clinic was formed with the purchase of multiple physician practices and has joined Regional West Medical Center in Regional West Health Services. This new organizational structure is a true partnership with physicians and hospital working together for the benefit of the patients in the region.

Rural Nebraska Healthcare Network Member Hospitals and Affiliated Clinics, FCC Rural Health Care Pilot Program	**Phone**	**Census Tract**	**Prim. RUCA**	**Sec. RUCA**	**County**	**Ownership:** public, private, city, county	**Not for Profit**	**Eligible Health Care Facility** Section 254 1996 Act
Box Butte General Hospital, 2101 Box Butte Ave, Alliance, NE 69301	(308) 762-6660	9512	7	7.0	Box Butte	County	X	NE Licensed Hospital
Hemingford Clinic, 812 Laramie Ave., Hemingford, NE, 69348		9511	10	10.3	Box Butte	Provider Based RHC	X	CMS Certified RHC
Cow Country Health Clinic,111 Main St, Hyannis, NE 69350		9563	10	10.0	Grant	Provider Based RHC	X	CMS Certified RHC
Sandhills Family Center, 2107 Box Butte Ave., Alliance, NE 69301		9512	7	7.0	Box Butte	Provider Based RHC	X	Rural Health Clinic
Chadron Community Hospital, 821 Morehead Street, Chadron, NE 69337	(308) 432-5586	9507	7	7.0	Dawes	Private	X	NE Licensed Hospital
Legend Buttes Health Services, 11 Paddock Street, Crawford, NE 69339		9506	10	10.0	Dawes	Provider Based RHC	X	CMS Certified RHC
Hay Springs Medical Clinic, 232 N Main St Hay Springs, NE 69347		9517	10	7.0	Sheridan	Provider Based RHC	X	Title X Federal recipient
Western Community Health Resources, 739 Morehead Street, Chadron, NE 69337		9507	7	7.0	Dawes	Provider Based RHC	X	Title X Federal recipient
Western Community Health Resources, 619 Box Butte Ave. Alliance, NE 69301		9513	7	10.6	Box Butte	Provider Based RHC	X	Title X Federal recipient
Western Community Health Resources, 11 Paddock Street, Crawford, NE 69339		9506	10	10.0	Dawes	Provider Based RHC	X	Title X Federal recipient
Western Community Health Resources, 206 Loofborrow Street, Rushville, NE 69360		9517	10	7.0	Sheridan	Provider Based RHC	X	Title X Federal recipient
Western Community Health Resources, 106 North Main, Gordon, NE 60343		9516	10	7.0	Sheridan	Provider Based RHC	X	Title X Federal recipient
Western Community Health Resources, Native American Ctr. 502 W. 2nd, Chadron, NE 69337		9507	7	10.6	Dawes	Provider Based RHC	X	Title X Federal recipient
Prairie Pines Clinic, 900 West 7th St., Chadron, NE 69337		9507	7	10.0	Dawes	Provider Based RHC	X	Title X Federal recipient
Family Planning Clinic, 848 Morehead Street, Chadron, NE 69337		9507	7	10.0	Dawes	Provider Based RHC	X	Title X Federal recipient
Garden County Hospital, 1100 West 2nd, Oshkosh NE 69154	(308) 772-3283	9521	10	7.0	Garden	County	X	NE Licensed Hospital
Garden County Rural Health Clinic,1100 West 2nd, Oshkosh, NE 69154		9521	10	7.0	Garden	Rural Health Clinic	X	CMS Certified RHC
~~Ash Hollow RHC Llewellyn~~	-	-	~~10~~	~~7.0~~	~~Garden~~	~~Rural Health Clinic~~	~~X~~	~~CMS Certified RHC~~
Gordon Memorial Hospital, 300 E 8th Street, Gordon, NE 69343	(308) 282-0401	9516	10	10.0	Sheridan	District	X	NE Licensed Hospital
Gordon Clinic, 807 North Ash St., Gordon, NE 69343		9516	10	10.0	Sheridan	Rural Health Clinic	X	CMS Certified RHC
Rushville Clinic, 308 West 3rd St., Rushville, NE 69360		9517	10	10.0	Sheridan	Rural Health Clinic	X	CMS Certified RHC
Kimball Health Services, 505 S. Burg St., Kimball, NE 69154	(308) 235-1952	9545	7	7.0	Kimball	County	X	NE Licensed Hospital
Kimball Health Services Clinic, 505 S. Burg St., Kimball, NE 69154		9545	7	7.0	Kimball	Provider Based RHC	X	CMS Certified RHC
Memorial Health Center, 645 Osage St., Sidney, NE 69162	(308) 254-5825	9550	7	7.0	Cheyenne	Private	X	NE Licensed Hospital
Sidney Medical Associates, 1625 Dorwart Dr., Sidney, NE, 69162		9550	7	7.0	Cheyenne	Rural Health Clinic	X	CMS Certified RHC
Memorial Health Center Surgical Care and Outpatient Clinic, 645 Osage St., Sidney, NE 69162		9550	7	7.0	Cheyenne	Private	X	Department of Hospital
Chappell Medical Clinic, 562 Vincent Ave., Chappell, NE 69129		9554	10	10.0	Cheyenne	Rural Health Clinic	X	CMS Certified RHC
Morrill County Community Hospital, 1313 S Street, Bridgeport, NE 69336	(308) 262-1616	9525	10	10.5	Morrill	County	X	NE Licensed Hospital
Morrill County Hospital Clinic, 1320 S St., Bridgeport, NE 69336		9525	10	10.0	Morrill	Provider Based RHC	X	CMS Certified RHC
Chimney Rock Medical Center, 320 Main St., Bayard, NE 69334		9525	10	10.0	Morrill	Provider Based RHC	X	CMS Certified RHC
Morrill County Family Resource Center, 1320 S St., Bridgeport, NE 69336		9525	10	10.0	Morrill	Migrant Health	X	Satellite of FQHC
Perkins County Health Services, PO Box 26 Grant, NE 69140	(308) 352-7200	9593	10	10.0	Perkins	District	X	NE Licensed Hospital
Grant Medical Clinic, 912 Central Avenue, Grant, NE 69140		9593	10	10.0	Perkins	Rural Health Clinic	X	CMS Certified RHC
Regional West Medical Center, 4021 Ave B, Scottsbluff, NE 69361	(308) 630-1723	9534	4	4.0	Scotts Bluff	Private	X	NE Licensed Hospital
Regional West Medical Center, 3700 Ave D, Scottsbluff, NE 69361		9534	4	4.0	Scotts Bluff	Private	X	NE Licensed Hospital
Regional West Physicians Clinic, 2 West 42nd Street, Scottsbluff, NE 69361		9534	4	4.0	Scotts Bluff	Private	X	IRS 501c3
Regional West Physicians Clinic, 1456 Center Ave., Mitchell, NE 69357		9530	5	5.0	Scotts Bluff	Rural Health Clinic	X	CMS Certified RHC
Regional West Physicians Clinic, 302 Center Ave., Morrill, NE, 69358		9531	10	10.2	Scotts Bluff	Rural Health Clinic	X	CMS Certified RHC
Regional West Physicians Clinic 1275 Sage Street, Gering, NE, 69341		9538	4	4.0	Scotts Bluff	Private	X	IRS 501c3
Regional West Physicians Clinic, 3911 Ave B, Scottsbluff, NE 69361		9534	4	4.0	Scotts Bluff	Private	X	IRS 501c3
Regional West Physicians Clinic, 3011 Ave B, Scottsbluff, NE 69361		9534	4	4.0	Scotts Bluff	Private	X	IRS 501c3

3. Network Narrative: In the first quarterly report following the completion of the competitive bidding process and the selection of vendors, the selected participant must submit an updated technical description of the communications network that it intends to implement, which takes into account the results of its network design studies and negotiations with its vendors. This technical description should provide, where applicable:

- **a. Brief description of the backbone network of the dedicated health care network, e.g., MPLS network, carrier-provided VPN, a SONET ring;**
- **b. Explanation of how health care provider sites will connect to (or access) the network, including the access technologies/services and transmission speeds;**
- **c. Explanation of how and where the network will connect to a national backbone such as NLR or Internet 2;**
- **d. Number of miles of fiber construction, and whether the fiber is buried or aerial; Special systems or services for network management or maintenance (if applicable) and where such systems reside or are based.**

There is no narrative to report at this time because the competitive bidding process has not yet been completed and vendors have not yet been selected.

4. List of Connected Health Care Providers: Provide information below for all eligible and non-eligible health care provider sites that, as of the close of the most recent reporting period, are connected to the network and operational.

- **a. Health care provider site;**
- **b. Eligible provider (Yes/No);**
- **c. Type of network connection (*e.g.*, fiber, copper, wireless);**
- **d. How connection is provided (*e.g.*, carrier-provided service; self-constructed; leased facility);**
- **e. Service and/or speed of connection (e.g., DS1, DS3, DSL, OC3, Metro Ethernet (10 Mbps);**
- **f. Gateway to NLR, Internet2, or the Public Internet (Yes/No);**
- **g. Site Equipment (*e.g.*, router, switch, SONET ADM, WDM) including manufacturer name and model number.**
- **h. Provide a logical diagram or map of the network.**

Because the network has not yet been built, there were no eligible or non-eligible health care provider sites that, as of the close of the most recent reporting period, are connected to the network and operational.

5. Identify the following non-recurring and recurring costs, where applicable shown both as budgeted and actually incurred for the applicable quarter and funding year-to-date.

- **a. Network Design**
- **b. Network Equipment, including engineering and installation**
- **c. Infrastructure Deployment/Outside Plant**
- **d. Engineering**
- **e. Construction**

f. Internet2, NLR, or Public Internet Connection
g. Leased Facilities or Tariffed Services
h. Network Management, Maintenance, and Operation Costs (not captured elsewhere)
i. Other Non-Recurring and Recurring Costs

At this point in time, there are no budgeted or actually incurred non-recurring and recurring costs because the competitive bidding process has not yet begun and no vendors have been selected.

6. Describe how costs have been apportioned and the sources of the funds to pay them:
a. Explain how costs are identified, allocated among, and apportioned to both eligible and ineligible network participants.
b. Describe the source of funds from:
i. Eligible Pilot Program network participants
ii. Ineligible Pilot Program network participants
c. Show contributions for all other sources (e.g., local, state, and federal sources, and other grants).
i. Identify source of financial support and anticipated revenues that is paying for costs not covered by the fund and by Pilot Program participants.
ii. Identify the respective amounts and remaining time for such assistance.
d. Explain how the selected participant's minimum 15 percent contribution is helping to achieve both the selected participant's identified goals and objectives and the overarching goals of the Pilot Program.

See Attachment A to this Quarterly Report.

7. Identify any technical or non-technical requirements or procedures necessary for ineligible entities to connect to the participant's network.

RNHN has assumed there will not be any ineligible users using any portion of the RNHN network. See Attachment A. If any ineligible users are allowed access to the RNHN network, technical or non-technical requirements or procedures have not yet been developed except that they will be required to pay the full cost of connecting to the network and installing, operating and upgrading their electronics. They will also be required to pay their fair share of network costs attributable to the portion of network capacity used.

8. Provide an update on the project management plan, detailing:
a. The project's current leadership and management structure and any changes to the management structure since the last data report; and

The following are the project's current leadership and management structure:

Project leader Todd Sorensen, President, Rural Nebraska Healthcare Network

Assistant project leader Boni Carrell, Director, Rural Nebraska Healthcare Network

Counsel	Randy Lowe, Davis Wright Tremaine LLP
Consultants	Fiberutilities Group

b. In the first quarterly report, the selected applicant should provide a detailed project plan and schedule. The schedule must provide a list of key project deliverables or tasks, and their anticipated completion dates. Among the deliverables, participants must indicate the dates when each health care provider site is expected to be connected to the network *and operational*. Subsequent quarterly reports should identify which project deliverables, scheduled for the previous quarter, were met, and which were not met. In the event a project deliverable is not achieved, or the work and deliverables deviate from the work plan, the selected participant must provide an explanation.

The project plan will be determined in partnership with the contracted vendor. We anticipate the project will move forward from the RFP posting date according to the following timeline:

Activity	Based on RFP posting date	Anticipated Dates
RFP posted	Day 1	August 17, 2009
RFP question answer session 1	2nd Friday after posting	August 28, 2009
RFP question answer session 2	3rd Friday after posting	September 4, 2008
Bid response deadline	Posting date + 45 days	October 1, 2009
Award Announcement	Posting date + 90 days	November 16, 2009
USAC review	Award date + 14 days	November 16 - 30, 2009
Contract awarded	Award date + 60 days	December 21, 2009
Construction start		Spring 2010
Testing and acceptance		December 2010
Healthcare Network operational		January 2011

9. Provide detail on whether network is or will become self sustaining. Selected participants should provide an explanation of how network is self sustaining.

See Attachment A to this Quarterly Report.

10. Provide detail on how the supported network has advanced telemedicine benefits:

a. Explain how the supported network has achieved the goals and objectives outlined in selected participant's Pilot Program application;

b. Explain how the supported network has brought the benefits of innovative telehealth and, in particular, telemedicine services to those areas of the country where the need for those benefits is most acute;

c. Explain how the supported network has allowed patients access to critically needed medical specialists in a variety of practices without leaving their homes or communities;

d. Explain how the supported network has allowed health care providers access to government research institutions, and/or academic, public, and private health care institutions that are repositories of medical expertise and information;

e. Explain how the supported network has allowed health care professional to monitor critically ill patients at multiple locations around the clock, provide access to advanced application in continuing education and research, and/or enhanced the health care community's ability to provide a rapid and coordinated response in the event of a national crisis.

The network has not yet been built so there are no advanced telemedicine benefits to report at this time.

11. Provide detail on how the supported network has complied with HHS health IT initiatives:

a. Explain how the supported network has used health IT systems and products that meet interoperability standards recognized by the HHS Secretary;

b. Explain how the supported network has used health IT products certified by the Certification Commission for Healthcare Information Technology.

c. Explain how the supported network has supported the Nationwide Health Information Network (NHIN) architecture by coordinating activities with organizations performing NHIN trial implementations;

d. Explain how the supported network has used resources available at HHS's Agency for Information Technology;

e. Explain how the selected participant has educated themselves concerning the Pandemic and All Hazards Preparedness Act and coordinated with the HHS Assistant Secretary for Public Response as a resource for telehealth inventory and for the implementation of other preparedness and response initiatives; and

f. Explain how the supported network has used resources available through HHS's Centers for Disease Control and Prevention (CDC) Public Health Information Network (PHIN) to facilitate interoperability with public health and emergency organizations.

The network has not yet been built so there is no such compliance to report at this time.

12. Explain how the selected participants coordinated in the use of their health care networks with the Department of Health and Human Services (HHS) and, in particular, with its Centers for Disease Control and Prevention (CDC) in instances of national, regional, or local public health emergencies (e.g., pandemics, bioterrorism). In such instances, where feasible, explain how selected participants provided access to their supported networks to HHS, including CDC, and other public health officials.

The network has not yet been built so there is no such coordinated use or access to report at this time.

Attachment A to Rural Health Care Pilot Program Quarterly Data Report
WC Docket No. 02-60
Rural Nebraska Healthcare Network
January – March 2009

Rural Nebraska Healthcare Network

FCC - Rural Health Care Pilot Program

Sustainability Plan

Prepared by:

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Rural Nebraska Healthcare Network Sustainability Plan

Overview

The Rural Nebraska Healthcare Network (RNHN) is a not-for-profit corporation whose members are the nine not-for-profit and public hospitals in the Panhandle of Nebraska.[1] A board of directors, which is comprised of the Chief Executive Officer of each member hospital, governs the RNHN.

Since 1996, RNHN members have uniquely collaborated on projects in order to coordinate a unified healthcare response in the face of the geographic isolation of its patients. Thus, RHNH is an integrated healthcare system that serves nearly all patients in the Nebraska Panhandle. [2]

The RNHN was awarded support of $19.2M under the FCC's Rural Health Care Pilot Program (RHCPP) to design, construct, operate, and maintain a fiber optic network connecting each of its member hospitals with each other and with other health care facilities (RHCPP Network). The total cost of the RHCPP Network, however, has decreased slightly from $22,655,226 projected in RNHN's RHCPP Application to $22,309,935.

As demonstrated by this Sustainability Plan (Plan), RNHN anticipates that it will be able to meet its 15% contribution under the RHCPP, as well as the ongoing capital and operation expenses of the RHCPP Network which will be consist of 24 fibers. (See Exhibits A and B.) It will do so by selling Indefeasible Rights of Use (IRU) in a privately funded, 48 fiber network owned by RNHN that is located in the same trench used for the RHCPP Network (Second Network).[3] Moreover, the Plan shows positive cash flow beginning with the first year and remaining positive for the next 20 years, including generating sufficient cash to cover electronics replacement and anticipated network capacity upgrades.[4]

The approach used for this Plan was to determine whether the Second Network will generate sufficient net revenues to cover the 15% contribution and the capital and operating costs of not only the RHCPP

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[1]The member hospitals are: Box Butte General Hospital, Alliance; Chadron Community Hospital, Chadron; Garden County Health Services, Oshkosh; Gordon Memorial Health Services, Gordon; Kimball Health Services, Kimball; Memorial Health Center, Sidney; Morrill County Community Hospital, Bridgeport; Perkins County Health Services, Grant; and Regional West Medical Center, Scottsbluff.

[2]The Panhandle covers 11 counties spread out over 14,000 square miles with a population density of 6.5 people per square mile.

[3] IRU's do not convey legal title, only quiet enjoyment to use of fiber for a specific period of time. Consequently, RNHN, or a wholly-owned subsidiary of RNHN, will be the sole owner of, and hold legal title to the Second Network. The Second Network will contain 48 fibers because it will permit increased revenues to meet the needs of the RHCPP Network. Moreover, and unlike the RHCPP Network, it is expected that certain segments of the Second Network will be used more or less than other segments. In order to accommodate such uneven use, it is necessary to construct more fibers than would otherwise be necessary if all segments were used equally. Nevertheless, if the needs of RHCPP Network users increase beyond 24 fibers, the additional fiber of the Second Network will be available to meet those needs.

[4]RNHN used a 20 year projection because it replicates the life of dark fiber IRUs and is within the range of reasonableness for projecting revenues, expenses, and cash flow.

Network but also the Second Network. The Plan, therefore, reflects the costs to build, maintain, and operate both the RHCPP and the Second Network and the revenues generated by the Second Network.

Plan Assumptions

1) Second Network

Based on the FCC Order approving the Application, RNHN has revised its approach to the project, and now plans, as noted above, a separately funded second cable in the same trench as the RNHN project cable.[5] Accordingly, the source of the funds for the Second Network will be private, not public. RNHN will place them in an escrow account to assure that sufficient funds will be available to meet the 15% matching requirement when USAC issues the funding commitment letter (FCL) for the RHCPP Network.

RNHN has conducted informal surveys of potential enterprise customers to determine their interest in the Second Network. Sufficient oral responses have been received to indicate the Second Network plan is viable, but no contracts have been signed, nor any written commitments asked for or received. All IRU transactions will be arms-length transactions negotiated at fair market value.

RNHN estimates that the total amount required from private funds to build the Second Network is $3,692,320. This includes 752 miles of cable with 48 fibers available for IRU's.[6] The source of funds for future capital requirements is the net income generated from the sale of IRU's and O&M fees received from on the Second Network.[7]

The Second Network was designed and costed as a second cable placed in the same trench, *i.e.*, the RHCPP Network is a rural build costed as direct bury with no conduit except where there are road bores. Thus, the $3,692,320 cost is the cost of adding a second cable to the trench (*i.e.*, separate reel on the plow train, plus the cost of the cable itself.) The design, installation, operation and maintenance of the Second Network will not increase the cost of the RHCPP funded network.[8]

[5] The RHCPP Application of RNHN before the FCC showed that the project would be funded by Mobius Communications Company, Inc., a Nebraska provider of telecommunications services. *See In the Matter of Rural Health Care Support Mechanism*, 22 FCC Rcd. 20360 (2007), para. 77, n. 245.

[6]The Second Network will not be installed in 190 miles of the 942 mile RHCPP Network that are designated as laterals to reach various eligible health care providers.

[7] In this context, "net income" means the funds available to RNHN after all expenses of the Second Network are paid. The private-sourced funds received for the Second Network will be used for the sole purpose of funding the Second Network and the RHCPP Network, including the direct expenses incurred to plan, design, build and operate both the RHCPP Network and the Second Network.

[8]RNHN intends to contract with Fiberutilities Group, LLC (FG) for the operation and maintenance of the RHCPP Network and the Second Network at arm's length. The costs of a third party, such as FG, are included in the cost calculations set forth in Exhibit A. No RHCPP funds will be used for FG work performed for RNHN; instead, all of the expenses of operating and maintaining the RNHN network are to be covered by revenues received from the sale of IRU's and from the IRU O&M recurring fees generated by the Second Network. It will not be necessary, therefore, to bid for these services in accordance with USAC's bidding requirements. Detailed information on FG may be found at www.fiberutilities.com.

There is no allocation of costs between the RHCPP Network and the Second Network because there is no shared equipment between them and the Second Network cable is not attached to the RHCPP Network.

IRU's are priced on a per-fiber-per-mile basis plus O&M on a per route mile basis. The non-recurring charges are set at current fair market prices of $1,250 per fiber, per mile for a 20-year IRU, plus annual recurring O&M of $300 per route mile per customer. This is consistent with industry practice, and reflects the costs of dealing with multiple-customer fibers and multiple-customer requirements in the same physical cable. All revenue generated by the Second Network will be used solely for the RHCPP funded network and the Second Network.

2) Eligible Users

The Plan is based on the goal of insuring that eligible users can participate in basic network applications for no fee. This no-fee approach for eligible users takes into consideration the very limited financial resources of rural hospitals in the Panhandle.[9]

Since no charges are paid by eligible users, the charges paid by ineligible users will not only cover the full cost of connecting to the network and upgrading their electronics but will, in effect, also include a subsidy of the costs incurred by eligible users.

Costs to eligible users (as well as ineligible users) on the user side of each connection with RNHN will be born by those users; these costs are not part of the costs to be funded by RHCPP funds.

The basic design of the RNHN Network provides a 1 Gb Ethernet connection at the user-designated premise.[10] This type of connectivity would, if available, normally cost between $5,000 and $10,000 per month if purchased directly from the commercial marketplace. In most cases, such high-speed connections are not currently available at any cost. Instead, eligible users in the Panhandle are generally limited to buying various legacy telecommunications services, such as DSL or T-1's. The typical charge for these connections is very high on a per Mb basis, ranging from $250 to $1,500 per month.

[9] RNHN will reconsider this approach in the event of any unforeseen costs.

[10] Some of the more remote locations may have lower connection speeds (*e.g.*, 100 Mb) based on their locations and the most cost-effective technology available to reach them (wired or wireless, leased or built).

3) Ineligible Users

RNHN has assumed there will not be any ineligible users using any portion of the RHCPP Network.[11]

4) Additional Assumptions

a) General

- A projected start year of 2009.
- Only 6 months of revenue in the first year of operation.
- Upgrade electronics and equipment of $1,345,160 in 2014, $1,547,792 in 2019 (includes additional costs for an anticipated capacity upgrade) and $1,345,160 in 2024.
- An annual CPI adjustment of 3%.

b) Capital Costs

- Depreciation rates based on standard GAAP/IRS useful lives with a salvage value set equal to 10% of original cost, *e.g.*, electronics have an assumed five-year useful life, with a $10,000 per user replacement cost, plus spares, setup, installation, warranty, and contingency amounts.
- The RHCPP and Second Networks will be designed and constructed in a manner that is consistent with industry standards.[12]
- Future capital costs are limited to equipment replacement as the equipment obsolesces.
- A capital expenditure contingency of 7% of the total non-fiber capital expenses.
- The capital refresh cost is set equal to the initial cost for the same asset. The assumption is that the same dollars will buy then-current capabilities in the electronics. The basis for this assumption is that the price-performance curve for digital technology has been improving for decades. The approach for this Plan, therefore, assumes that the price in dollars for a particular piece of electronics will be the same in 10 years as it is now, but the capabilities will have improved substantially.

[11]If any ineligible users are later allowed access to the RHCPP Network, they will be required to pay the full cost of connecting to the Network and installing, operating and upgrading their electronics. They will also be required to pay their fair share of network costs attributable to the portion of network capacity used.

[12]In all likelihood, the Second Network will be bid at the same time as the RHCPP Network but as a separate bid.

c) Operating Costs

- Annual operating costs for the RHCPP Network start (in the first full year of operation) at $551,722 in 2009 rising to $995,133 in year 2028. This includes depreciation and amortization beginning in 2014 with replacement electronics, outside plant O&M, warranty, licensing, software, network management, pole attachment fees, network O&M, General and Administrative and operating contingency.[13]

- Operating contingency set at 10% of total operations costs.

- The RHCPP Network will interconnect with the NLR network at the FrontRange GigaPOP in Denver. The plan includes the costs extending the RHCPP Network to Denver, but no contracts are yet in place for the actual interconnection with NLR.[14]

- Annual operating costs for the Second Network start (in the first full year of operation) at $758,500 and increase to $853,000 in 2028. These costs include depreciation, SG&A and O&M (dark fiber maintenance).[15]

- The net income available to support the RHCPP Network is $968,456 in the first full year of operation and increases to $1,141,706 in 2028.

d) General &Administrative

- For the RHCPP Network, the Plan assumes a direct administrative cost of $82 per eligible user, per month, which is included in the overall ongoing operating costs for the RHCPP Network. This amount includes governance, overhead, and other miscellaneous support required for eligible users.

- For the Second Network, the direct general and administrative expense is included in the Operating Costs.

- Selling, General & Administrative expense is estimated to be 15% of revenue.

e) Take Rates

- For the RHCPP Network, eligible users total 39 (10 hospitals plus 29 clinics). (As stated above, the Plan does not assume any ineligible users of the RHCPP Network.)

[13]Pole attachment fees are included for the estimated 10% of the outside plant that will be aerial rather than buried.

[14] RNHN does not anticipate NLR interconnection expenses will exceed $50,000 per year; sufficient revenues from the Second Network are available under the current plan to cover these anticipated costs.

[15] Under GAAP accounting rules depreciation expense is an accounting entry designed to offset, over time, the initial capital investment; it is not a cash expense.

- For the Second Network, the Plan assumes six customers in the first year, each purchasing 350 route miles of four fibers.[16] After the initial year, the Plan assumes adding one new customer per year for five years, then zero new customers for the balance of the 20 year projection.

- Although the Second Network is 752 miles, it is assumed that a typical buyer will purchase 350 route miles.

[16]Four fibers (2 pair) is the typical minimum for long haul IRU's. This allows one active pair and one pair in reserve or available for upgrading the electronics without shutting down any lit fibers.

Exhibit A

Summary by Year

FINANCIAL FORM - SUMMARY

Date: January 8, 2009

BY: Fiberutilities Group, LLC

Location: Nebraska

Product/Project Title: RNHN

Project Description: This plan tests the financial assumptions for the lighting a network and providing services (Internet, capacity, wavelengths, etc). The model assumes a stand-alone entity owned by RNHN.

Project Justification: Model leads to $ 1,066,620 net profit (loss) /year in year 20

Financial Summary (20 YEAR TOTAL):

Revenues	$ 32,619,835
Net Income	$ 14,919,435
EBITDA	$ 18,425,858
Capital Expenditures	$ 26,548,977

SUMMARY BY YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	TOTAL
Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non Recurring Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net From 2nd Cable Ops	$ 4,343,930	$ 968,456	$ 1,026,206	$ 1,083,956	$ 1,141,706	$ 1,199,456	$ 1,257,206	$ 1,314,956	$ 1,372,706	$ 1,430,456	$ 1,488,206	$ 1,545,956	$ 1,603,706	$ 1,661,456	$ 1,719,206	$ 1,776,956	$ 1,834,706	$ 1,892,456	$ 1,950,206	$ 2,007,956	
TOTAL REVENUE	$ 4,343,930	$ 968,456	$ 1,026,206	$ 1,083,956	$ 1,141,706	$ 1,199,456	$ 1,257,206	$ 1,314,956	$ 1,372,706	$ 1,430,456	$ 1,488,206	$ 1,545,956	$ 1,603,706	$ 1,661,456	$ 1,719,206	$ 1,776,956	$ 1,834,706	$ 1,892,456	$ 1,950,206	$ 2,007,956	$ 32,619,835
GROSS MARGIN	$ 4,343,930	$ 968,456	$ 1,026,206	$ 1,083,956	$ 1,141,706	$ 1,199,456	$ 1,257,206	$ 1,314,956	$ 1,372,706	$ 1,430,456	$ 1,488,206	$ 1,545,956	$ 1,603,706	$ 1,661,456	$ 1,719,206	$ 1,776,956	$ 1,834,706	$ 1,892,456	$ 1,950,206	$ 2,007,956	$ 32,619,835
Network Operations & Maint	$ 547,294	$ 655,193	$ 657,101	$ 659,740	$ 662,459	$ 665,259	$ 668,143	$ 671,113	$ 674,173	$ 677,324	$ 679,613	$ 683,914	$ 687,357	$ 690,904	$ 692,614	$ 698,320	$ 702,196	$ 706,188	$ 701,474	$ 714,535	$ 13,494,915
Depreciation and Amortization	$ -	$ -	$ -	$ -	$ -	$ 219,509	$ 219,509	$ 219,509	$ 219,509	$ 219,509	$ 239,554	$ 239,554	$ 239,554	$ 239,554	$ 239,554	$ 242,221	$ 242,221	$ 242,221	$ 242,221	$ 242,221	$ 3,506,422
Bad Debts	$ 86,879	$ 19,369	$ 20,524	$ 21,679	$ 22,834	$ 23,989	$ 25,144	$ 26,299	$ 27,454	$ 28,609	$ 29,764	$ 30,919	$ 32,074	$ 33,229	$ 34,384	$ 35,539	$ 36,694	$ 37,849	$ 39,004	$ 40,159	$ 652,397
TOTAL OP EXPENSES	$ 638,601	$ 692,805	$ 713,049	$ 717,827	$ 722,685	$ 947,133	$ 951,172	$ 955,297	$ 959,512	$ 963,818	$ 987,307	$ 992,763	$ 997,361	$ 1,002,063	$ 1,004,928	$ 1,014,457	$ 1,019,488	$ 1,024,635	$ 1,021,076	$ 1,035,292	$ 18,361,269
TOTAL EXPENSE	$ 638,601	$ 692,805	$ 713,049	$ 717,827	$ 722,685	$ 947,133	$ 951,172	$ 955,297	$ 959,512	$ 963,818	$ 987,307	$ 992,763	$ 997,361	$ 1,002,063	$ 1,004,928	$ 1,014,457	$ 1,019,488	$ 1,024,635	$ 1,021,076	$ 1,035,292	$ 18,361,269
Interest Income	$ -	$ 45	$ 5,570	$ 8,724	$ 12,426	$ 16,694	$ 8,265	$ 13,556	$ 19,436	$ 25,910	$ 32,983	$ 25,200	$ 33,332	$ 42,077	$ 51,440	$ 61,446	$ 58,611	$ 69,724	$ 81,475	$ 93,956	$ 660,869
Net Income Before Taxes	$ 3,705,329	$ 275,695	$ 318,726	$ 374,852	$ 431,447	$ 269,017	$ 314,298	$ 373,214	$ 432,629	$ 492,547	$ 533,881	$ 578,393	$ 639,676	$ 701,469	$ 765,717	$ 823,945	$ 873,829	$ 937,545	$ 1,010,605	$ 1,066,620	$ 14,919,435
Less taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Income After Taxes	$ 3,705,329	$ 275,695	$ 318,726	$ 374,852	$ 431,447	$ 269,017	$ 314,298	$ 373,214	$ 432,629	$ 492,547	$ 533,881	$ 578,393	$ 639,676	$ 701,469	$ 765,717	$ 823,945	$ 873,829	$ 937,545	$ 1,010,605	$ 1,066,620	$ 14,919,435
EBITDA	$ 3,705,329	$ 275,695	$ 318,726	$ 374,852	$ 431,447	$ 488,526	$ 533,807	$ 592,723	$ 652,138	$ 712,056	$ 773,436	$ 817,947	$ 879,230	$ 941,024	$ 1,005,272	$ 1,066,166	$ 1,116,050	$ 1,179,767	$ 1,252,826	$ 1,308,841	$ 18,425,858
EBITDA percent of	85.30%	28.47%	31.06%	34.58%	37.79%	40.73%	42.46%	45.08%	47.51%	49.78%	51.97%	52.91%	54.82%	56.64%	58.47%	60.00%	60.83%	62.34%	64.24%	65.18%	56.49%
Fixed Asset Additions (GL Additions)	$ 22,309,935	$ -	$ -	$ -	$ -	$ 1,345,160	$ -	$ -	$ -	$ -	$ 1,548,722	$ -	$ -	$ -	$ -	$ 1,345,160	$ -	$ -	$ -	$ -	$ 26,548,977
Capital Expenditures (Cash Paid for Assets)	$ 22,309,935	$ -	$ -	$ -	$ -	$ 1,345,160	$ -	$ -	$ -	$ -	$ 1,548,722	$ -	$ -	$ -	$ -	$ 1,345,160	$ -	$ -	$ -	$ -	$ 26,548,977
Cumulative Capital Expenditures	$ 22,309,935	$ 22,309,935	$ 22,309,935	$ 22,309,935	$ 22,309,935	$ 23,655,095	$ 23,655,095	$ 23,655,095	$ 23,655,095	$ 23,655,095	$ 25,203,817	$ 25,203,817	$ 25,203,817	$ 25,203,817	$ 25,203,817	$ 26,548,977	$ 26,548,977	$ 26,548,977	$ 26,548,977	$ 26,548,977	

Exhibit B

Revenues versus Expenses